

**STATE OF MICHIGAN  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

**Before the Commissioner of the Office of Financial and Insurance Services**

**In the matter of:**

**LH Ross & Company, Inc.  
CRD No. 37920**

**Enforcement Case No. 06-3954**

**Respondent**  
\_\_\_\_\_ /

*Issued and entered  
on April 4, 2006  
by Linda A. Watters  
Commissioner*

**ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO REVOKE BROKER  
DEALER REGISTRATION, AND NOTICE OF RIGHT TO HEARING**

The Office of Financial and Insurance Services of the Michigan Department of Labor and Economic Growth, pursuant to the Michigan Administrative Procedures Act of 1969, MCL 24.201 *et. seq.*, (“MAPA”) and the Michigan Uniform Securities Act, as amended, MCL 451.501 *et. seq.*, (“Act”), and the rules promulgated under the Act, say that:

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

The staff of the Office of Financial and Insurance Services (“OFIS”) alleges that the following facts are true and correct:

1. At all pertinent times, LH Ross & Company, Inc. (“Respondent”) was a registered broker dealer (CRD # 37920) authorized to transact business in the State of Michigan since 1996.
2. Respondent is located at 2233 Glades Road, Suite 425W, Boca Raton, FL 33431.
3. As a registered broker-dealer with the State of Michigan, Respondent knew or had reason to know that Section 204(1)(F) of the Act, MCL 451.604(1)(F), provides that the Commissioner may revoke Respondent’s broker-dealer registration that is the subject of an order of a national securities exchange or a national securities association registered

under the securities exchange act of 1934 suspending or expelling them from membership.

4. As a registered broker-dealer with the State of Michigan, Respondent knew or had reason to know that Section 204(1)(B) of the Act, MCL 451.604(1)(B), provides that the Commissioner may revoke Respondent's broker-dealer registration if the broker dealer has violated or failed to comply with any provision of the Act, or any predecessor act, rules or order under the Act or predecessor act.
5. The National Association of Securities Dealers, Inc. (NASD) is a national securities association registered under the Securities Exchange Act of 1934.
6. On or about July 27, 2004, the NASD's Department of Enforcement filed for a Temporary Cease and Desist Order against Respondent, seeking an immediate halt to ongoing fraudulent and illegal sales activities relating to unregistered private placement self-offerings that have raised more than \$7 million for the firm.
7. On or about August 31, 2004, a NASD Hearing Panel granted a petition for a temporary cease and desist order (TCDO) to immediately stop ongoing fraud by Respondent while a NASD disciplinary proceeding is underway. Under the terms of the TCDO, the NASD Hearing Panel ordered the Respondent to cease raising funds for itself through two unregistered private placements as well as through the sale of promissory notes. The NASD Hearing Panel also ordered the Respondent to stop opening new branch offices and to stop paying bonuses or other compensation to brokers or branch managers as an incentive for joining the firm. Finally, the NASD Hearing Panel ordered the Respondent to collect \$2 million from a parent company within one month and deposit the funds in escrow.
8. On or about December 15, 2004, a NASD Hearing Panel found that Respondent failed to pay an arbitration award and filed a meritless defense opposing NASD's suspension notice for that failure to pay. The Panel ordered Respondent to pay \$69,915.97 in restitution to the arbitration claimant and \$50,000 in fine to the NASD.
9. On or about January 14, 2005, a NASD Hearing Panel expelled Respondent for fraud and other violations related to the sales of unregistered self-offerings. The panel ordered the Respondent to pay a \$500,000 fine, more than \$11 million in restitution to investors, prejudgment interest of at least \$450,000 and hearing costs of more than \$18,000. The panel also imposed a permanent Cease and Desist Order, which replaced the temporary Cease and Desist Order that a NASD Hearing Panel imposed in August 2004 to stop Respondent's ongoing fraudulent and illegal sales activities.
10. On or about February 25, 2005, the NASD issued a summary suspension of Respondent based on its determination that the Respondent was experiencing such financial and/or operating difficulties, that Respondent could not be permitted to continue to do business as a member with safety to investors, creditors, or other members of the NASD.

11. On March 31, 2005, the NASD expelled Respondent from the securities industry and barred its owner and president, Franklyn Michelin, for life to resolve charges of manipulation, fraud, excessive markups, sales of unregistered securities, books and records violations and supervisory enforcement actions against the Respondent. As part of the settlement, Respondent agreed to withdraw their appeals of three previous NASD hearing panel decisions that found, among other things, that Respondent and Michelin had engaged in widespread fraud in the sales of unregistered self-offerings and had failed to cooperate with NASD investigators. The previous decisions imposed sanctions that included expelling Respondent (twice), barring Michelin, ordering the payment of more than \$11.45 million in restitution and interest to harmed investors, and imposing \$550,000 in fines, which are now final.
12. Therefore, pursuant to Section 204 of the Act, Respondent is subject to revocation of its broker-dealer registration in the State of Michigan because of the NASD's orders summarily suspending and expelling Respondent's membership in the NASD.

WHEREAS, Section 204(1)(F) of the Act, MCL 451.604(1)(F) of the Act provides that the Commissioner may revoke Respondent's broker-dealer registration that is the subject of an order of a national securities exchange or a national securities association registered under the Securities Exchange Act of 1934 suspending or expelling them from membership; and

WHEREAS, Respondent was the subject of a February 25, 2005 and a March 31, 2005 Order by the NASD; and

WHEREAS, the National Association of Securities Dealers, Inc. (NASD) is a national securities association registered under the Securities Exchange Act of 1934; and

WHEREAS, Section 204(1)(B) of the Act, MCL 451.204(1)(B) of the Act provides that the Commissioner may revoke Respondent's broker-dealer registration if the broker dealer has violated or failed to comply with any provision of the Act, or any predecessor act, rules or order under the Act or predecessor act; and

WHEREAS, Respondent has violated Section 204(1)(F) of the Act, MCL 451.604(1)(F), the Respondent has also violated Section (1)(B) of the Act, MCL 451.604(1)(B); and

WHEREAS, based on the foregoing, OFIS Staff recommends that the Commissioner find that Respondent is engaged in acts and practices that violate Section 204 of the Act and Rule promulgated under the Act; and

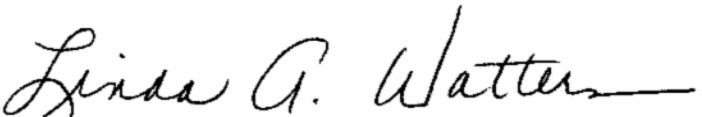
WHEREAS, the Office of Financial and Insurance Services finds this Order necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

**IT IS THEREFORE ORDERED**, pursuant to Section 408 of the Act, MCL 451.808 and Section 409 of the Act, MCL 451.809, that:

1. The Respondent, LH Ross & Company, Inc., shall immediately **CEASE AND DESIST** from violating Section 204(1)(B) and (F) of the Act, MCL 451.604(1)(B) and (F).
2. Failure to comply with this ORDER will subject you to one or more of the following:
  - (a) A civil penalty of not more than \$1,000 for each violation of this Act, but not to exceed a total of \$10,000.
  - (b) A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.
3. You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.
4. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.
5. It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.
6. Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Services, Attention: William R. Peattie, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF  
LABOR & ECONOMIC GROWTH

By:

  
Linda A. Watters, Commissioner  
Office of Financial and Insurance Services